

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Universal Service Reform)	WT Docket No. 10-208
)	
Mobility Fund)	

COMMENTS OF
THE JOINT CENTER FOR POLITICAL AND ECONOMIC STUDIES

I. INTRODUCTION AND SUMMARY

Universal Service Fund (USF) reform is critical as broadband becomes the default telephony platform for most consumers. In some cases, wireless broadband is the most cost-effective way to provide broadband access to underrepresented Americans. We applaud the Commission for taking this important first step toward USF reform.

Earlier this year, in our study entitled “National Minority Broadband Adoption: Comparative Trends in Adoption, Acceptance and Use,” the Joint Center for Political and Economic Studies’ Media and Technology Institute (“MTI”) reported that, irrespective of their geographic location, minorities are avid users of mobile technology.¹ Further, mobile

¹ See JOHN P. GANT, NICOL E. TURNER-LEE, YING LI, & JOSEPH S. MILLER, NATIONAL MINORITY BROADBAND ADOPTION: COMPARATIVE TRENDS IN ADOPTION, ACCEPTANCE AND USE AT 33-39 (2010)(“Joint Center Study”) available at http://www.jointcenter.org/publications1/publication-PDFs/MTI_BROADBAND_REPORT_2.pdf (last visited December 10, 2010)(Fifty-four percent of African-Americans and 44% of Hispanics use their cell phones to download ringtones, compared to 33% of Whites; 52% of African-Americans and 36% of Hispanics use their cell phones to download music, compared to 22% of Whites; 71% of African-Americans and 63% of Hispanics use their cell phones to send or receive pictures, compared to 57% of Whites; 80% of African Americans 75% of Hispanics use their cell phones to send or receive text messages, compared to 63% of Whites; 41% of African Americans and 35% of Hispanics use their cell phones to send or receive emails, compared to 28% of Whites).

technology is an important on-ramp to broadband Internet adoption among minorities.² Policies designed to promote mobile access and adoption are essential to ensure that all Americans have access to the tools they need to be productive in the 21st century. The bandwidth that will be needed to accommodate those who are currently offline should be flexible and scalable. Thus, the Commission should think beyond 3G and toward the speed and bandwidth needs of the future.

The reverse auction the Commission proposes should not operate to exclude small businesses. A winner-takes-all approach, even in a reverse auction, may act as an unnecessary impediment to companies with fewer economies of scale but deeper expertise in local communities.

We urge the Commission to ensure that subsidies are allocated in a balanced manner, both with respect to the geographic areas to be served and the companies participating in the reverse auction process.

II. GEOGRAPHY SHOULD NOT BE THE THRESHHOLD FACTOR FOR DETERMINING WHERE FUNDS SHOULD BE DISBURSED

While geography certainly plays some role in broadband access and adoption disparities, broadband adoption disparities largely correlate with educational attainment, age, and household income.³ It is undisputable that the question of whether a particular geographic area is rural or urban is important for assessing the business case and determining a corresponding level of high-

² *Id.* at 33 (Fifty-percent of African-Americans and 42% of Hispanics use their cell phones to access the Internet, compared to 30% of Whites.).

³ *See generally*, Joint Center Study.

cost subsidies.⁴ However, in view of the current unemployment rate in the United States, the Commission should consider geography as a single factor, rather than the linchpin, in the analysis for determining where high cost support is most *needed*.

The high-cost funds made available via Verizon Wireless' and Sprint-Nextel's recent merger conditions⁵ should be disbursed in unserved areas most affected by high unemployment. Currently, the overall unemployment rate is 9.8%.⁶ At 16%, the African-American unemployment rate is far worse.⁷ Throughout the *National Broadband Plan*, the Commission noted the power of the Internet as a catalyst for citizens looking for jobs.⁸ Indeed, low-income

⁴ UNITED STATES DEPARTMENT OF COMMERCE'S ECONOMICS AND STATISTICS ADMINISTRATION AND NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION, EXPLORING THE DIGITAL NATION: HOME BROADBAND INTERNET ADOPTION IN THE UNITED STATES 10 (2010) ("Commerce Department Home Broadband Adoption Study") (Minorities living in rural areas fare far worse in broadband access and adoption than their counterparts living in urban areas.).

⁵ See In the Matter of Universal Service Reform Mobility Fund, Notice of Proposed Rulemaking, WT Docket 10-208, 75 FR 60760, ¶5 (2010) ("Mobility Fund NPRM") ("Drawing on some of the USF support voluntarily relinquished by Verizon Wireless and Sprint Nextel and reserved by the Commission, the Mobility Fund would make available non-recurring support to providers to deploy 3G or better networks where these services are not currently available.).

⁶ UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS, EMPLOYMENT SITUATION at Table A-1 Employment status of the civilian population by sex and age, available at <http://www.bls.gov/news.release/empsit.t01.htm> (last visited December 11, 2010).

⁷ *Id.* at Table A-2 Employment status of the civilian population by race, sex and age, available at <http://www.bls.gov/news.release/empsit.t02.htm> (last visited December 11, 2010).

⁸ FEDERAL COMMUNICATIONS COMMISSION, NATIONAL BROADBAND PLAN XIV (2010) ("Broadband can expand access to jobs and training, support entrepreneurship and small business growth and strengthen community development efforts."); *Id.* at 3 ("Jobs increasingly require Internet skills; the share of Americans using high-speed Internet at work grew by 50% between 2003 and 2007, and the number of jobs in information and communications technology is growing 50% faster than in other sectors."); *Id.* at 5 ("If learning online accelerates your education, if working online earns you extra money, if searching for jobs online connects you to more opportunities, then for those offline, the gap only widens."); *Id.* at 29 (Broadband is "[C]reating high-paying jobs in important sectors such as information and communications technology (ICT)."); *Id.* at 59 (In considering the transition from circuit-switched network to IP-based services, the Commission "[S]hould consider the impact of the transition on employment in the communications industry, particularly given the historic role of the sector in providing high-skill, high-wage jobs."); *Id.* at 129 ("Access to broadband is the latest challenge to equal opportunity ... Americans ... can use broadband to ... apply for jobs."); *Id.* at 193 (asking "Why is it that many jobs are posted online, but too many

minorities rely on the Internet to find jobs *more than any other demographic*.⁹ Few will disagree that job creation should be the nation's number one priority. Therefore, the Commission's overarching concern should be to facilitate citizens' ability to find and create jobs via the power of mobile broadband. USF funds should be disbursed to have as broad an impact as possible on job creation in communities most affected by high unemployment.

III. THE COMMISSION SHOULD TAILOR ANY REVERSE AUCTION TO ENSURE THAT SMALL BUSINESSES ARE ABLE TO PARTICIPATE

The Commission proposes an auction framework in which the *lowest* bidder will win high-cost support to provide wireless infrastructure in selected areas. Under this regime, a company with larger cash reserves will be in the best position to make the lowest bid. 47 U.S.C. §254 (e) provides the overall USF framework and requires companies receiving high-cost support to be designated "eligible telecommunications carriers" ("ETCs"), as defined by 47 U.S.C. 214(e).¹⁰ Under the Commission's reverse auction framework in the NPRM, only one winner will emerge per geographic area.¹¹ However, nothing in §214(e) requires the Commission to limit support to a single bidder. Indeed, §214(e) provides:

Americans—*particularly in low-income and minority communities* [emphasis added]—lack the access or skills to see those postings?"").

⁹ See Joint Center Study at 2 ("Across all income groups, African Americans and Hispanics use the Internet to search for jobs in greater proportion than White Americans. Among minority respondents with annual incomes of between \$20,000 and \$50,000, more than 70 percent of African Americans and Hispanics go online for job searches as compared to only 38 percent of White Americans.

¹⁰ See 47 U.S.C. §254(e).

¹¹ See NPRM at 60762 §10 ("Given the Commission's objective of using the Mobility Fund to support the provision of expanded advanced mobile wireless services to as much of the currently unserved population in identified areas as possible, the Commission proposes that only one entity in a given geographic area receive Mobility Fund support. The Commission recognizes that mobile wireless providers have expressed competitive concerns, especially given that 3G services may use either CDMA or GSM technology, about the possibility of limiting support to one

“A common carrier designated as an eligible telecommunications carrier ... shall, throughout the service area for which the designation is received—
(A) offer the services that are supported by Federal universal service support mechanisms ... either *using its own facilities or a combination of its own facilities and resale of another carrier’s services* [emphasis added]
(including services offered by another eligible telecommunications carrier) ...”

While the Commission should absolutely seek to subsidize infrastructure buildouts at the lowest possible cost, it should also seek to avoid creating unnecessary market entry barriers against small businesses. The reverse auction is one of the best mechanisms for ensuring an efficient allocation of funds. However, the Commission should offer the public a transparent and data-driven analysis demonstrating that *limiting* such funds to a single bidder will ultimately promote competition.

provider. In light of these concerns, the Commission proposes certain terms and conditions of support to encourage possibilities for competition.”).

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ralph B. Everett', followed by a large, stylized circular flourish.

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